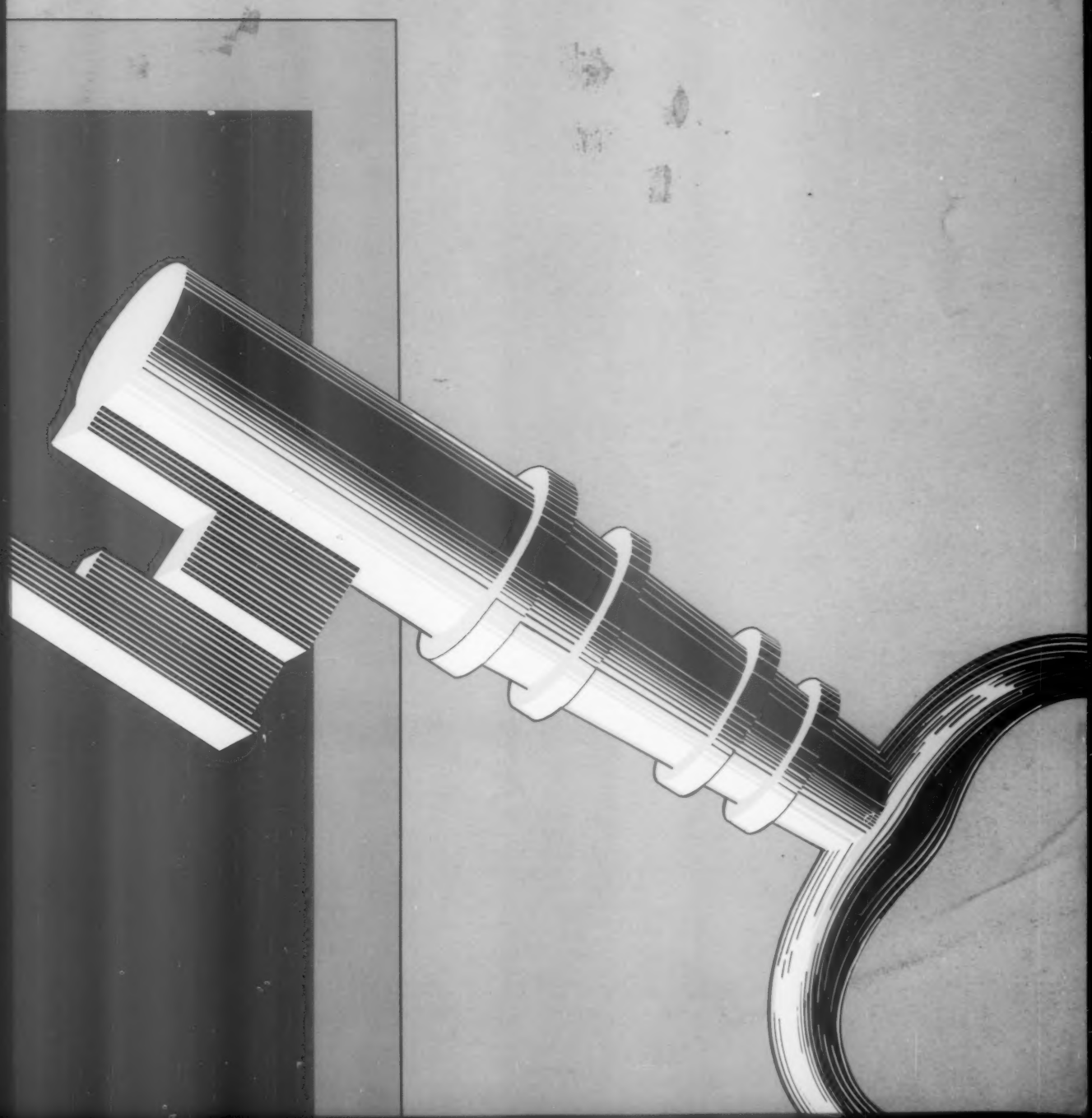
United States
Department of Agriculture

Foreign Agricultural Service

Foreign Agriculture

May 1983

Export Trading Companies: Your Key to World Markets



Marketing News

Pork Team To Study Prospects For U.S. Sales to Japan

The **U.S. Meat Export Federation (MEF)** recently sponsored a pork study team to Japan to meet with import officials and pork processors and tour pork production, handling and retail facilities. The team's visit was particularly timely in light of another outbreak of foot-and-mouth disease in Denmark, which supplied a major share of Japan's pork imports until outbreaks of the disease in March 1982 and January 1983. As a result of the first outbreak, Japan banned the importation of all fresh and frozen Danish meat. Although the ban was supposed to be lifted this spring, the new outbreak could extend it an additional 12 months.

Such an extension could open opportunities for U.S. pork sales to Japan, particularly since Japanese pork inventories have declined. But MEF's Asian Director Phil Seng cautions that increased U.S. pork sales to Japan could be moderated by an anticipated increase in Japanese pork production for 1983 of about 2-3 percent, a significant increase in Taiwan's pork production (Taiwan is Japan's principal pork supplier) and higher U.S. pork prices.

U.S. Feed Grain Team Meets The Far East Trade

Doing business in the Far East is more than just a "letter and a phone call" type of operation. Importers feel that the personal contact of a seller with the customer plays a crucial role in establishing a meaningful trade relationship. With that in mind, the **U.S. Feed Grains Council (USFGC)** recently developed an Asian trade mission that teamed U.S. producers and feed grain trade representatives with importers, feed manufacturers, livestock producers, and other users of U.S. feed grains in Japan, Korea and Taiwan—the largest U.S. feed grain markets.

U.S. producers got a chance to see some of the USFGC's overseas projects firsthand and meet with Council staff, as well as importers and processors of U.S. feed grains. The team also got a chance to hear about the special concerns of U.S. feed grain purchasers in these countries, and to air some of their own as well.

A major concern for both importers and processors is U.S. supply reliability, and, on the other side of the coin, is the issue of market reliability. The commitment of U.S. producers to grow for export is linked to the knowledge that there will be a market for their product. The recent visit by U.S. producers did much to reinforce the importance of the Asian market for U.S. feed grains. There were strong signs that Japan, Taiwan and Korea are making buying commitments through expansion of import capacity and handling facilities. "That tells me that these countries are planning to keep importing, and as a feed grain producer, that does my heart good," summed up Bill Griffin, team member and representative of the Corn Growers Association of North Carolina.

Research Project To Explore Noodle Consumption/Production

U.S. Wheat Associates, the **North Dakota Wheat Commission** and the **Minnesota Wheat Council** are funding a research project in Southeast Asia to determine what kinds of U.S. wheat are most suitable for the production of different types of noodles consumed in the region. The importance of such a project is obvious in light of the fact that noodle consumption accounts for 40-45 percent of total wheat flour consumption in Southeast Asia.

In addition, noodle production in this area is shifting from small, family facilities to large, mechanized production that requires strict quality control, dependability of constant quality raw materials and new production techniques. Also, the countries in these areas prefer flour derived from Australian standard white wheat versus U.S. wheat classes. The actual research will be carried out in the United States, but the results will be tested by Southeast Asian noodle manufacturers and flour mills.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

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With pressure mounting to move wheat into export markets, the major suppliers are using various marketing schemes to boost sales.

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Export Trading Companies: What They Can Do For U.S. Agriculture

By Clarence Gordy

U.S. agricultural exporters have an important new tool in meeting and beating competition in world markets as a result of the Export Trading Company Act of 1982.

Many of the world's most aggressive exporters—among them Japan, West Germany, France and Hong Kong—do much of their business through full-service trading companies.

The tremendous resources of these firms—which enable them to supply potential customers with everything from product samples to financing—are one of the reasons why these competitors have been gaining on the United States in world markets. Now, however, U.S. exporters can be on an equal footing in the service and financing areas.

Big Boost to High-Value Trade

The export trading company legislation is expected to give a big boost to the U. S. value-added commodity trade.

Traditionally, exports of U.S. agricultural products have been concentrated in bulk commodities. Yet world market demand for value-added products is growing by 12 to 15 percent per year, which is much faster than the growth in bulk commodity sales.

Government and other groups estimate that up to 20,000 U.S. manufacturers and agricultural producers offer goods and services which could be highly competitive abroad.

However, many of the small or medium-sized firms shy away from exporting because of their unfamiliarity with foreign markets, and limited products and services offered. Also, individually they cannot afford the costs and risks to develop the necessary expertise to penetrate those markets.

How Export Trading Companies Can Help Agricultural Exporters

Export trading companies can provide a full range of export services for these small and medium-sized firms

specializing in value-added products. Through specialization, cost dispersion and economies of scale, trading companies can serve as intermediaries to facilitate exports.

Basically, the 1982 legislation encourages the formation of export trading companies which combine the resources, skills and products of several U.S. companies to enhance their own overseas sales capabilities and those of their clients.

The legislation is designed to attract producers of goods and services, banks, export management companies, shipping companies and other export service businesses into an effective joint effort to exploit foreign markets. They may do this either to export their own products or to act as a "one-stop" service for foreign buyers.

One of the most important provisions of the legislation allows participation in export trading companies by banking interests, which formerly were excluded by government regulations from offering most export services.

Bank participation is important because it provides exporters with new opportunities for obtaining export financing. Many banks also have contacts, communication networks and management expertise that will aid in processing export transactions and in finding foreign markets, credit facilities and potential customers.

The legislation also allows export trading companies to apply for an antitrust certification preclearance, giving greater assurance that their activities will not make them liable to antitrust action.

The Commerce Department administers the certification process in consultations with the antitrust enforcement

agencies. It also has the promotional and matchmaking role in fostering the formation of export trading companies.

FAS Help to Agricultural Trading Companies

USDA's Foreign Agricultural Service (FAS) can provide a broad range of services to export trading companies formed for the purpose of exporting agricultural products.

The FAS network of agricultural counselors, attaches and trade officers overseas can assist export trading companies in introducing new products to foreign markets by providing data on marketing opportunities, arranging contacts with potential buyers and offering promotional assistance, such as product evaluation, in-store promotions, sales teams, product exhibitions and other support. ■

The author was formerly Special Assistant to the General Sales Manager, FAS. He is currently Assistant Deputy Administrator, Program Operations, Farmers Home Administration. Tel. (202) 382-1470.

Where To Call For Help In Marketing

Following is a list of FAS phone numbers you can call to get help with various types of marketing problems. The area code for all numbers is 202. Mail on these subjects should be addressed to the Foreign Agricultural Service (FAS), U.S. Department of Agriculture, Washington, D.C. 20250.

State/trade coordination:
475-3424

Trade exhibits and sales teams:
475-3419

Trade offices:
475-3408

Foreign visitors:
475-3412

TORS:
475-3424

New products testing:
475-3424

Minority and small businesses and export trading companies:
475-3417

Dairy, livestock and poultry:
447-3899

Forest products:
382-8138

Grain and feed:
447-4168

Horticultural and tropical products:
447-7931

Oilseeds and products:
447-8809

Tobacco, cotton and seeds:
382-9518

Program operations, export credits:
447-6225

Fact File:

Export Trading Company Basics

Background and Purpose:

The Export Trading Company Act enacted in October 1982 defines an export trading company (ETC) as a company organized and operated for the purpose of exporting goods and services and providing export-related services to other companies unrelated to the ETC. The act covers both agriculture and non-agricultural industries and defines exports to include not only goods produced in the United States, but also services.

The purpose of the legislation is to increase participation of small and medium-sized U.S. firms in the export process by encouraging the formation of export trading companies to provide the necessary international sales and support services. The act specifies that ETC's are to be exempted from antitrust laws, and also permits banking institutions, for the first time, to invest and be active partners.

Structure:

The law defines the structure of ETC's in only the loosest of terms, because it was the intent of Congress to allow the private sector the freedom to develop a highly diverse group of trading companies—some large, some small, some owned by a single firm, some jointly owned, some formed around particular industries, and some formed for particular markets. Economies of scale are likely to favor larger ETC's which have extensive information and contact networks overseas. However, smaller ETC's with an appropriate marketing concept and a specialty product should also prove successful in establishing a presence in certain areas.

Potential equity holders include producers of goods and services, banking institutions, export management companies, and shipping companies. With such backing, ETC's could provide complete export services, including market research, marketing financing, documentation, transportation and after-sale service.

Functions:

The primary function of ETC's is to enhance the export capabilities of their clients by combining products with sales and transportation skills and financial resources. Generally, ETC's will provide their clients with four basic services:

Market development—
- Keeping abreast of foreign market conditions and potential.
- Developing and meeting product needs in foreign markets.
- Identifying U.S. products which are likely to sell in specific foreign markets.
- Researching and analyzing overseas markets.
- Country-by-country product feasibility studies.
- Assisting with market entry.

Sales and distribution—
- Assuming all export responsibilities.
- Managing the foreign sales network.
- Providing administrative services for import controls, customer clearance, tariffs, freight and insurance.
- Arranging all inventory warehousing.
- Acting as representative or distributor, securing goods from U.S. processors to meet orders.

Financial support—
- Obtaining credit information, including an assessment of the credit-worthiness of foreign customers.
- Risk assessment and analysis.
- Managing collections, payments and foreign exchange.
- Local currency financing.

Customer services—
- Developing and maintaining contacts with major customers abroad.
- Establishing in-country distributors.
- Arranging in-country service networks.
- Organizing customer service networks.
- Handling customers and distributor relations.

Trading Company Types:

ETC's conceivably will fall into two basic types, with very different types of backers. One type might be a regional ETC, which would concentrate on products produced in the region for both commodities (bulk) and processed goods. The second type might be a specialized trading company which would either concentrate on selling a particular product or on selling to a particular country or region. The specialized ETC might be most effective for products requiring sophisticated planning for marketing and promotional activities.

Examples of both types are shown below:

ETC types	Products	Possible Investors
Regional (example: Georgia)	Poultry Meat products Soybean and oil Wood products Peaches Pecans	Shipping company Cooperatives Bank holding company Export management company Port authority State economic development authority
Specialized (for catfish in Mississippi)	Catfish	Producers of catfish Local bank Shipping company Packing plant
(for cherries in Oregon)	Cherries	Cooperatives Port authority State economic development authority

Export Trading Companies Meet Most Exporter Needs:

Large or regional export trading companies must be capable of providing a full range of export services, including all export transaction mechanics, arranging for financing, market development functions, and trade flow management.

Contacts with corporate and middle market firms indicate that the needs of exporters can be broken down into three basic groups, such as those shown below.

Trade Finance	Market Development	Trade Flow Management
Fixed and floating rate supplier/buyer financing -Short term -Medium term -Long term	Country/industry trade intelligence	Shipping
	Market research	Packageing/labeling
Risk layoff—Insurance and government guarantee programs	Market entry strategy design	Goods-in-transit insurance and freight
	Market entry assistance	Customs clearance
Letter of credit opening/confirming/payment	Distributor identification selection	Documentation
Performance letters of credit	International trade publications and seminars	Export/import administrative and follow-up services
Money movement		Inland transportation
Project finance		

TORS: Fast, Efficient and Successful

By Robb Deigh

If you sell alfalfa pellets, a man in Chile is looking for you. He wants to place an order for 4,000 tons immediately. In West Germany, a firm wants to buy 10 tons of dried flowers (green stems only, please) and if you can provide 500 pedigree breeding hogs, a ready market is waiting in China.

U.S. exporters can provide these products, and thousands more, but only if they have timely and accurate leads about overseas markets.

One of the best ways U.S. exporters and foreign buyers find each other is through a high-speed electronic communications system operated by the Export Programs Division of the Foreign Agricultural Service (FAS).

The system is called the Trade Opportunity Referral Service (TORS) and, in a 1981 study, FAS estimated that TORS helped U.S. exporters sell an extra $150 million worth of agricultural products overseas that year—no small potatoes by any standard.

Nearly 1,000 U.S. subscribers use the system and receive information about products being requested from thousands of foreign buyers every year. From these contacts, the TORS system generates more than 3,000 sales leads annually for U.S. exporters. Subscribers who receive direct mailers are charged $10 annually per commodity they list. These direct mailers are the basis of the TORS system.

The Human Element

Before information about a potential sale begins its trip through the TORS computer network, it starts with the human element — U.S. agricultural counselors, attaches and trade officers at American posts overseas.

They maintain personal contact with foreign buyers to keep abreast of potential sales and to promote the purchase of U.S. agricultural products. When a buyer makes a request for one or more products, U.S. agricultural personnel overseas send the information electronically to the TORS computer center in Washington, D.C. The data includes the name of the buyer, details about the quality and quantity of the commodity and the overseas bank authorized to handle the transaction.

At this point, the TORS system takes over and the remainder of the process is nearly all automatic. The information

is electronically sorted and printed onto prepared direct mailers. The mailers are sent daily to TORS subscribers that include private export companies, regional marketing groups, state departments of agriculture and USDA Extension Service offices.

Tailored by Commodity Group

To ensure that subscribers receive only the trade leads suited to their needs, the TORS system sorts the information by commodity groups. An organization interested in exporting wheat, for example, might have little use for trade leads on potential overseas buyers of poultry. However, most exporters interested in selling more than one product take multiple listings.

In addition to the daily mailouts, TORS offers a service for U.S. exporters who want to keep tabs on all trade leads without having to pay for many separate commodity group listings.

All trade leads received during the week are collected to produce a weekly bulletin called **Export Briefs**. About 1,100 subscribers each pay $50 per year to receive this bulletin which is mailed every Friday.

The TORS trade leads are also transmitted daily to AGNET. Subscribers can extract information based upon the commodity codes for products they are interested in exporting. AGNET is an electronic information system based at the University of Nebraska. It allows U.S. companies to access trade leads via computer terminals, microcomputer terminals, and some telex machines within minutes of their release from FAS in Washington. Any system that can operate over a telephone line and can meet the technical requirements, can be used on AGNET. For more information about AGNET, call (402) 472-1892 or Write: AGNET, 105 Miller Hall, University of Nebraska, Lincoln, NE 68583.

Dual Data Bases

To refine even further the process of matching buyers and sellers, the TORS system features two computer data bases.

One data base includes the names of U.S. agricultural firms and is provided to foreign buyers through the American embassies overseas. U.S. firms also find the list helpful in locating other domestic suppliers of the same commodity to provide large orders they could not fill alone. TORS subscribers are automatically placed on the domestic suppliers list.

The second data base lists foreign importers by country or by the commodities they trade. To initiate a request for any TORS computer printout, users pay $5 per country/commodity combination. They are then charged a dollar per page after the first five. Each page includes about a dozen names of foreign buyers of U.S. agricultural products.

When U.S. producers want to get the word out about a new product, TORS can help again. **CONTACTS**, a monthly newsletter provides free space to list their name and a brief description of the product.

The newsletter is distributed to foreign markets by agricultural counselors overseas. However, **CONTACTS** is another story. It can be found on page 11. For more information about TORS, contact the Export Promotion Division, FAS, (202) 447-7103. ■

The author is a public affairs specialist with the Information Division, FAS. Tel. (202) 382-9445.

A 'Contact' That Counts In Moving Products Overseas

By Audrey B. Talley

"We have a product made from soybeans. It is brewed like coffee, but caffeine-free. And we want to introduce this product to foreign markets." This is the gist of a message sent to the Export Promotion Division, FAS, by a Wisconsin manufacturer who was looking for suggestions on how to move his new product, "Soybean Brew," into world markets.

FAS placed a free product announcement describing this "Soybean Brew" in the **CONTACTS For U.S. Farm Products**—a monthly trade bulletin that is distributed overseas by FAS agricultural officers stationed at more than 60 attache posts around the world.

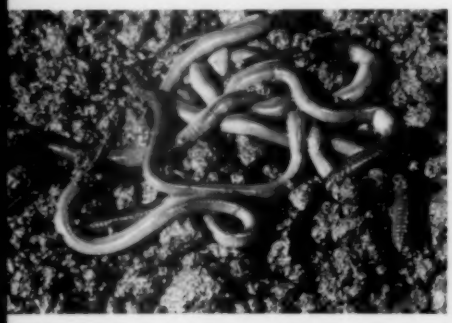
In a follow-up survey, the Wisconsin manufacturer reported that he had received numerous trade inquiries from all over the world. A Louisiana firm offering "coffee-in-tea-bags" reported being contacted by some 150 firms from the Middle East and Japan. These contacts resulted in an initial $600,000 sale to Japan and Kuwait.

Another company in California, introducing a new non-toxic microbial formulation for fresh water and salt water fish farming, reported "the response has been almost overwhelming. We have followed up on the inquiries and are now setting up distributors in a number of countries.

"In fact, we have already established distributors in France, England, Israel, Holland, the Netherlands, Taiwan, Japan, Korea, Hong Kong, Australia and New Zealand.

"We also have the products undergoing toxicological qualification in several countries."

New firms participating in the **CONTACTS** program continue to increase each year. Some 526 firms participated in the program in 1981—a 28-percent jump from the year before— and 1982 participation remained at around the same level. U.S. suppliers have tried to attract overseas buyers for a wide range of agricultural items. Some of these were:



- Chitterling patties offered by a Tennessee firm;
- Goose feet from an Iowa company;
- Rattlesnake meat from a Colorado firm;
- Red earthworms from a Florida firm; and,
- Catfish from Alabama.

U.S. firms also used **CONTACTS** to solicit buyers for products as diverse as cow embryos, Arabian horses, gourmet foods, chufas and even ornamental tropical fish. Although the publication is geared to helping U.S. companies introduce new agricultural products overseas, all U.S. agricultural products are eligible for publication.

This trade vehicle has been used by over 2,600 U.S. companies since it was first published in 1977.

CONTACTS is issued monthly from Washington by FAS Export Programs specialists. It is one of several programs designed to help U.S. exporters move their agricultural products and related services into foreign markets.

An FAS survey conducted last year by agricultural officers overseas showed that each issue of **CONTACTS** is mailed to some 10,000 overseas firms. It is translated into French, Greek, Italian, Japanese and Spanish, with copies routinely supplied to central agricultural libraries, trade centers and business information centers overseas.

Many attache posts extract data from each issue and reprint announcements that have market potential in their area. Overall, these selective mailings reach some 17,000 additional foreign companies.

Although preference in the **CONTACTS** program is given to new-to-market products, seasonal products and new-to-export firms, any U.S. company which would like to participate should contact its State Department of Agriculture marketing representative (See list beginning on page 13) or call the FAS Export Programs Division, (202) 447-7103 for further information. ■

The author is an program specialist with the Export Promotion Division, FAS. Tel. (202) 447-7103.

How to Have Your Announcement Published

All product information must be submitted on the **CONTACTS for U.S. Farm Products** application form (FAS-925) which is available at state departments of agriculture or by writing the Export Programs Division, Foreign Agricultural Service, Room 4945-South, U.S. Department of Agriculture, Washington, D.C. 20250.

Product descriptions in **CONTACTS** announcements are limited to 100 words. Each announcement must include bank reference information, complete company address, phone and/or telex number. All weights and measures must be in metric. The following is an example of a **CONTACTS** product announcement.

Pork and chicken flavored rings (Wisconsin). Offers "Osborn" imitation pork flavored rings and imitation chicken flavored rings. Chicken rings are manufactured from textured soy protein, flavored to resemble cooked, crumbled, smoked chicken. Suggested to enhance salads, vegetable dishes, baked potatoes, soups, egg dishes and other food formulations.

Imitation pork rings are formulated from a textured soy base to resemble the flavor, feel and size of shredded pork. Suggested uses include salad toppings, processed cheese products and snack foods. Both products are packed in lined, corrugated cartons, 18.01 kilos net. Storage should be in a cool, dry area. Bank ref: Northwestern National Bank, 1 North St., Clymen, Wis. 53016, USA. Phone: (419) 772-3341. Telex: 5265589 MOS.

CONTACTS is published on a first come, first served basis, with priority going to new-to-market products or firms.

Non-agricultural products, such as machinery, equipment and chemicals, can be listed in **CONTACTS** if they are in combination with U.S. agricultural items. For example, if a company is promoting dairy equipment along with its dairy breeding stock, the item could be included in the **CONTACTS** bulletin.

Applications should be submitted to your nearest state department of agriculture. See list on pages 13-15.

State Departments of Agriculture

In all 50 states and Puerto Rico, the Virgin Islands, Guam and American Samoa, there are units devoted to the expansion of agricultural exports. Most of these are state departments of agriculture, although in a few instances they are units within a department having other responsibilities. All of these agencies offer a wide range of services to farmers and potential exporters. Their addresses and phone numbers for export information and assistance are listed below.

Alabama

Department of Agriculture and Industries
P.O. Box 3336
Beard Building
Montgomery, Ala. 36193-0001
Tel: (205) 832-3757

Alaska

Department of Natural Resources, Division of Agriculture
Pouch A
Wasilla, Alaska 99687
Tel: (907) 376-3276

American Samoa

Department of Agriculture
P.O. Box 366
Pago Pago, American Samoa 96799
Tel: 633-5276

Arizona

Office of Economic Planning and Development
1700 W. Washington, Rm. 400
Executive Tower
Phoenix, Ariz. 85007
Tel: (602) 255-3737

Arkansas

State Plant Board
No. 1 Natural Resources Drive
P.O. Box 1069
Little Rock, Ark. 72203
Tel: (501) 225-1598

California

Department of Food and Agriculture
1220 N Street
Sacramento, Calif. 95814
Tel: (916) 445-0682

Colorado

Department of Agriculture
406 State Services Building
1525 Sherman Street
Denver, Colo. 80203
Tel: (303) 866-2848

Connecticut

Department of Agriculture
State Office Building
Hartford, Conn. 06115
Tel: (203) 566-4276

Delaware

Department of Agriculture
P.O. Drawer D
Dover, Del. 19901
Tel: (302) 736-4811

Florida

Department of Agriculture and Consumer Services
State Capitol
Tallahassee, Fla. 32301
Tel: (904) 488-4031

Georgia

Department of Agriculture
Capitol Square
Agriculture Building, Rm. 328
Atlanta, Ga. 30334
Tel: (404) 656-3740

Guam

Department of Agriculture
Government of Guam-USA
Agana, Guam 96910
Tel: (011-671) 734-3940

Hawaii

Department of Agriculture
1428 South King Street
Honolulu, Hawaii 96814
Tel: (808) 548-7140

Idaho

Department of Agriculture
120 Klotz Lane
Boise, Idaho 83701
Tel: (208) 334-3521

Illinois

Department of Agriculture
State Fairgrounds
Springfield, Ill. 62706
Tel: (217) 782-6675

Indiana

State Department of Commerce, Indiana Division of Agriculture
440 North Meridian Street
Indianapolis, Ind. 46204
Tel: (317) 232-8769

Iowa

Department of Agriculture
Wallace Building
Des Moines, Iowa 50319
Tel: (515) 281-5993

Kansas

State Board of Agriculture
109 Southwest 9th Street
Topeka, Kan. 66612
Tel: (913) 296-3736

Kentucky

Department of Agriculture
Capitol Plaza Tower,
Rm. 724
Wilkinson Boulevard
Frankfort, Ky. 40601
Tel: (502) 564-2298

Council on Agriculture
36 Fountain Place
Franfort, Ky. 40601
Tel: (502) 564-6686

Louisiana

Department of Agriculture
P.O. Box 44302
Capitol Station
Baton Rouge, La. 70804
Tel: (504) 342-7273

Maine

Department of Agriculture
Station 28
Augusta, Maine 04333
Tel: (207) 289-3491

Maryland

Department of Agriculture
Parole Plaza Office
Building
Annapolis, Md. 21401
Tel: (301) 269-2181

Massachusetts

Department of Food and
Agriculture
100 Cambridge Street
Boston, Mass. 02201
Tel: (617) 727-3018

Michigan

Department of Agriculture
Lewis Cass Building
Lansing, Mich. 48909
Tel: (517) 373-7807/1054

Minnesota

Department of Agriculture
90 West Plato Boulevard
St. Paul, Minn. 55107
Tel: (612) 296-1696

Mississippi

Department of Agriculture
and Commerce
P.O. Box 1609
Jackson, Miss. 39205
Tel: (601) 354-6734

Missouri

Department of Agriculture
P.O. Box 630
Jefferson City, Mo. 65102
Tel: (314) 751-3970

Montana

Department of Agriculture
Agriculture/Livestock
Building
Capitol Station
Helena, Mont. 59620
Tel: (406) 449-3144

Nebraska

Department of Agriculture
301 Centennial Mall South
P.O. Box 94947
Lincoln, Nebr. 68509-4947
Tel: (402) 471-2341

Nevada

Department of Agriculture
P.O. Box 11100
Reno, Nev. 89510
Tel: (702) 784-6401

New Hampshire

Department of Agriculture
Park Plaza
85 Manchester Street
Concord, N.H. 03301
Tel: (603) 271-2505

New Jersey

Department of Agriculture
CN 330
Trenton, N.J. 08625
Tel: (609) 984-4380

New Mexico

Department of Agriculture
P.O. Box 5600
Las Cruces, N. Mex. 88003
Tel: (505) 646-4929

New York

Department of Agriculture
and Markets
Building 8, State Office
Campus
Albany, N.Y. 12235
Tel: (518) 457-3412

North Carolina

Department of Agiculture
P.O. Box 27647
Raleigh, N.C. 27611
Tel: (919) 733-7912

North Dakota

Department of Agriculture
State Capitol
Bismarck, N. Dak. 58505
Tel: (701) 224-2231

Ohio

Department of Agriculture
65 S. Front Street
Columbus, Ohio 43215
Tel: (614) 466-4104

Oklahoma

Department of Agriculture
122 Capitol Building
Oklahoma City, Okla.
73105
Tel: (405) 624-6084

Oregon

Department of Agriculture
Agriculture Building
Salem, Ore. 97310
Tel: (503) 378-3787

Pennsylvania

Department of Agriculture
2301 North Cameron
Street
Harrisburg, Pa. 17110
Tel: (717) 787-6041 or
783-9448

Puerto Rico

Department of Agriculture
P.O. Box 9200
Santurce, P.R. 00908
Tel: (809) 723-9915

Rhode Island

Department of
Environmental
Management, Resource
Marketing and
Agriculture
22 Hayes Street
Roger Williams Building
Providence, R.I. 02903
Tel: (401) 277-2781

South Carolina

Department of Agriculture
Wade Hampton State
Office Building
P.O. Box 11280
Columbia, S.C. 29211
Tel: (803) 758-3531

South Dakota

Department of Agriculture
Anderson Building
Pierre, S. Dak. 57501
Tel: (605) 773-4011

Tennessee

Department of Agriculture
P.O. Box 40627
Melrose Station
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Trade Updates

Chile Diversifies Sources Of Wheat Imports

Trade sources report that Chile has purchased wheat from Argentina (45,000 metric tons), Australia (30,000 tons), Canada (25,000 tons) and South Africa (15,000 tons). These purchases are likely to cut into the U.S. share of total Chilean wheat imports, forecast at 1.2 million tons for 1982/83 (July/June). The United States has supplied over 95 percent of Chile's wheat imports since 1979. —*Dean Richards, FAS. Tel. (202) 475-4199.*

EC Pushing Wheat Sales To China

In a move that could foreshadow additional wheat sales to China, the European Community (EC) granted a supplementary freight rebate of about $5 per ton on 500,000 metric tons of wheat to be shipped to China this spring. Earlier this year, France sold 900,000 tons of wheat to China with the aid of export subsidies of around $80 a ton plus a supplemental freight subsidy of about $6 a ton.— *Dean Richards, FAS. Tel (202) 475-4199.*

EC Spends Hefty Sum On Horticultural Subsidies

The European Community (EC) spent nearly $600 million on production and processing subsidies for horticultural products in 1981. Included among these subsidies were $37 million for wine production aids and $539 million for fruit and vegetable processing. These horticultural subsidies accounted for 15 percent of the $4 billion in EC funds expended on agricultural production and processing aids in 1981.—*Edmond Missiaen, FAS. Tel. (202) 382-8895.*

Procedures Adjusted for EC High-Quality Beef Quota

Since the start of the year, the European Community (EC) has been allocating licenses monthly rather than quarterly for imports under the 10,000-metric tons annual quota for high-quality U.S. beef. Trade sources in both Europe and the United States seem to think this new system will be a great improvement because it will allow importers to do business in a more normal fashion.

Under the new system, the full 10,000-ton quota is opened on January 1. EC importers can apply for import licenses to their respective member state organizations during the first 10 days of each month. If license applications exceed the balance remaining under the quota, licenses will be allocated on the basis of 40 percent of each request until the quota is used up.— *Nick Havas, FAS. Tel. (202) 447-3761.*

Grain Trade Covered By Government Agreements Increases

During the last six months of 1982, grain trade covered by bilateral agreements increased significantly. Total world bilateral agreement levels (minimum tonnages) by year's end are estimated to have totaled roughly 30 million metric tons, an increase of roughly 2.5 million over mid-1982 levels.

Canada had increased its minimum agreement levels with Algeria, Brazil and China by over 1.3 million tons. In addition, U.S. competitors were striving hard to "lock in" more of the Soviet grain market. Due to the escalating clause in the Canada-USSR agreement, the USSR has now pledged to purchase at least 4.5 million tons of Canadian grain during 1982/83, up from 4.0 million last year. However, Canadian sales to the USSR during 1981/82 exceeded the agreement levels and to date in the current year, Soviet purchases of Canadian grain total 7.6 million tons. The French reportedly have signed a letter of intent with the Soviet Union providing for annual sales of 1.5 to 3.0 million tons of grain. These two developments have pushed total competitor minimum long-term agreement levels with the Soviet Union to over 10 million tons.—*Dean Richards, FAS. Tel. (202) 475-4199.*

Korea Becomes No. 1 Market For U.S. Beef Breeding Cattle

In 1980, Korea imported very few U.S. beef breeding cattle. By 1981, Korean imports increased to nearly 1,000 head. In 1982, Korea was the No. 1 market for U.S. beef breeding cattle, importing 6,902 head. That was 1,878 more than Mexico, the traditional leader.— *Willie Brooks, FAS. Tel (202) 382-1354.*

Indianapolis Airport Approved For Livestock Exports

USDA officials have approved the Indianapolis International Airport in Indianapolis, Ind., as a port for exporting livestock. Officials anticipate that about 35 livestock shipments a year will be exported through the Indianapolis facilities. There are now 24 approved ports. The nearest alternative to Indianapolis is Chicago, Ill.—*Nick Havas, FAS. Tel. (202) 447-3761.*

The Netherlands To Push Exports to U.S.

A new Dutch export organization announced plans to build a 10,000 square meter floating showroom to be berthed in Tampa Bay. The project, organized by the Dutch Organization for Export (DOE), will give approximately 500 small and medium-size Dutch firms an opportunity to penetrate the U.S. market. It is not yet known the extent of involvement by agricultural-related firms. Agricultural exports currently constitute 23 percent of total Dutch exports.—*Frank J. Tarrant, The Hague.*

Saudi Arabia To Enforce Stricter Shelf-Life Requirements

By the end of 1983, Saudi Arabia is expected to be enforcing a six-month expiration date on frozen sausage (to include hot dogs and processed meats) and a four-month expiration date on hamburger and minced meats. A nine-month expiration date will continue to apply to frozen carcass meats. USDA's Food Safety and Inspection Service (FSIS) has not yet been notified of the official implementation date or of any possible grace period. However, FSIS has dispatched a veterinarian for a three-month period to assist the Saudis in the development of their standards.

Communications from Jidda indicate that the expiration dates must be stated as day/month/year rather than month/day/year used in the United States. For example, Jan. 13, 1983 must be expressed in abbreviated form as 13-1-83.—*Nick Havas, FAS. Tel. (202) 447-3761.*

Seven Nations Cut Consumer Subsidies for Wheat Products

The effort by a number of foreign governments to reduce subsidies to consumers for bread and other wheat products is having an impact on world wheat trade. Countries where such changes have been reported in recent months include Bangladesh, Bolivia, Brazil, Costa Rica, Ecuador, Portugal and Sudan. All of these countries have relied heavily on wheat imports in past years—mainly from the United States. Depending on the country, this reduction in consumer subsidies has been directed at prices for wheat, flour or bread, but in all cases prices paid by consumers have risen significantly. The initial response to these consumer price increases appears to have been a decrease in total wheat consumption (particularly in Brazil), which in turn has led to a decline in wheat imports as the effect has moved through the marketing system. Since the lowering of the consumer subsidy has been accompanied by increases in domestic producer support prices, in several cases, the decrease in wheat import demand has also been accompained by larger domestic production.—*Dean Richards, FAS. Tel. (202) 475-4199.*

Nigeria's Rice Market Holding Steady Despite Import Curbs

Nigerian rice purchases in 1983 are currently projected to reach 650,000 metric tons—about the same as in 1981 and 1982—despite the push to reduce imports because of the country's critical foreign exchange position. However, in recent months there has been a significant shift to purchasing Thai rice due to its attractive price relative to U.S. rice. By the end of February, Nigerian purchases of Thai rice already represented more than four-fifths of the entire total shipped in 1982.—*Dean Richards, FAS. Tel. (202) 475-4199.*

Exporters Use Diverse Strategies for Marketing Wheat

By Bradley Karmen

With the pressure mounting to move last year's wheat crops out of the bin before this year's start coming in, the world's wheat exporters are employing a wide variety of marketing schemes to encourage sales.

Australia

The Australian Wheat Board (AWB) is the sole marketing authority for domestic and export sales. The government does not provide export credit guarantees for grain sales. However, the AWB does provide extended payment terms to a limited number of markets—usually China and Egypt. Besides these countries, Australia has supply agreements with Indonesia, Iran, Iraq, Japan, the USSR and others which total roughly 6 million tons.

Argentina

Argentine exports are transacted by the National Grain Board and private companies. Argentina, the smallest of the major wheat exporters, does not provide credit to importers, but it does rely heavily on long-term agreements and price discounts to move supplies into the export market.

Currently, the country has agreements with Algeria, China, Iran and Iraq which account for up to half its exports.

Several other countries—among them Bolivia, Brazil, Chile, Czechoslovakia, Haiti and Peru—are likely to follow up purchases of 1982 grains with more purchases this year, even without formal agreements.

Canada

Canada is the world's second largest wheat trader, accounting for nearly one-fifth of total exports. Like its Australian counterpart, the Canadian Wheat Board (CWB) is the sole legal exporter.

Canada has agreements with Algeria, Brazil, China, Cuba, East Germany, Jamaica, Japan, the USSR and other countries accounting for 14 to 17 million tons or two-thirds of its total exports.

Canada also offers importers credit facilities. The government provides guarantees to the CWB to extend credit to certain countries. The CWB provides credit by borrowing from banks for up to three years at interest rates one-quarter percent below prime.

In the past, credit sales totaled 3 to 4 million tons. This year, the government supplied credit guarantees for sales to the USSR for up to CAN$1 billion of grain. Canada also provides credit to Brazil, China, Haiti, Israel, Jamaica and Poland. Credit for longer than three years is also available, but there have not been shipments under this program in years.

France

France has been able to increase its share of the world's wheat trade dramatically because of export credit guaranteed by the French Export Guaranty Agency and the export subsidies it receives as a member of the European Community (EC).

The EC adjusts its export subsidy to reflect the difference between the world price and its high domestic price,

depending upon how much wheat it wants to move into the export market. Export subsidies have gotten as high as $85 a ton, about half of the world wheat price.

France has supply or credit arrangements with Algeria, Brazil, China, Cuba, Egypt, Morocco, Poland, Portugal, the USSR and Vietnam. Credit arrangements are usually for a maximum of

Stock Situation Pressures Exporters To Step Up Sales

(Million metric tons, 1982/83)

Exporters	Exports	Stocks
U.S.	41.5	42.9
Canada	20.0	12.2
EC	17.0	9.4
Argentina	8.0	0.5
Australia	7.5	0.5
Other	6.0	30.7
Total	**100.0**	**96.2**

two years using market interest rates, but below market rates were recently offered to Morocco.

United States

The United States is using various programs to promote wheat exports, ranging from the 1954 P.L. 480 program to the newest blended credit program. The United States has bilateral agreements only with the USSR, China and Mexico for a minimum of 7 million tons of wheat combined.

P.L. 480 provides for concessional sales to developing counties with repayment terms as long as 40 years and at extremely low interest rates. About 3.5 milion tons were shipped under this program last year.

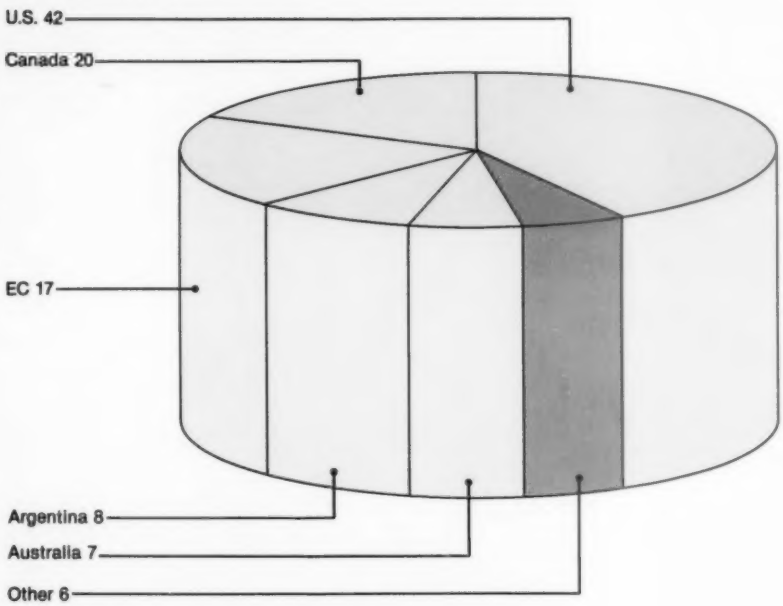
USDA also guarantees credit through the GSM-102 program. Credit is for up to three years at commercial rates. The government guarantees 98 percent of the principal and up to 8 percent of the interest. In fiscal 1982, GSM-102 sales were used for 3.72 million tons of wheat exports.

In fiscal 1982, a new program of blended credits was added to these other marketing arrangements. Under this program, $350 million in interest-free direct government export credits will be combined with $1.4 million in credit guarantees to achieve an interest rate 20 percent less than market rates.

So far, over 3 million tons of wheat exports have been financed this way.

Five Countries Dominate World Wheat Trade

(Percent of 1982/83 exports)



Major Exporters' Marketing Strategies

Country	Long-term agreements	Extended payments	Credit guarantees	Below-market interest rates	Price discounts
U.S.	✓	✓	✓	✓	✓
Canada	✓	✓	✓	✓	
Australia	✓	✓			
France	✓		✓	✓	✓
Argentina	✓				✓

Under a separate program, the U.S. sold 1 million tons of wheat flour to Egypt at a price considerably below the U.S. export price. The U.S. government will subsidize the price difference by providing additional wheat to the millers.

This single arrangement represents one-sixth of the annual world trade of wheat flour. ■

The author is an economist with the International Economics Division, Economic Research Service. Tel. (202) 447-8879.

Country Briefs

China

Cotton Imports Curtailed Sharply

Although China's large population, growing textile industry and limited area for cotton production suggest increased cotton imports in the future, just the opposite is expected in 1983. Right now, China has made great progress in substituting local production for cotton imports and also is promoting domestic consumption of manmade fiber textiles. In January the retail price of cotton textiles was increased by 20 percent and prices for manmade fibers were correspondingly lowered 25 percent.

China has announced a boycott of U.S. cotton until a new textile agreement is reached. The Chinese have bought no U.S. cotton this calendar year, and have made only limited purchases from other sources. In fact, China reportedly has actually met a request to supply Romania with 5,000 metric tons of Chinese cotton. Also, a China-USSR trade agreement announced recently includes Chinese cotton as a possible exportable commodity. *Norman R. Kallemeyn, Beijing.*

European Community

New Proposal on Enlarged Community Oilseed Sector Outlined

The European Community (EC) Commission recently proposed to freeze temporarily (10 years) the current marketing arrangements in Spain and Portugal for oilseeds and vegetable oils other than olive oil. This freeze would be in effect during the transition period of Spanish and Portugese accession to the EC.

The Commission also reaffirmed its idea of establishing a 2:1 price ratio between olive oil and competing vegetable oils to insure a sufficient level of olive oil consumption as a permanent surplus of 230,000 metric tons of olive oil is envisioned in an enlarged Community. The Commission also proposed that the EC should use the GATT Article XXIV.6 negotiations on enlargement to adjust the Community's tariff structure to offset gains accruing to third countries as a result of the abolition of restrictive measures now applied by Spain and Portugal.

Although not explicitly stated in the memo, reports from Europe are that the EC may attempt to use the Article XXIV.6 negotiations to unbind the existing zero duty on imports of soybeans and soybean meal.—*Beverly Simmons, FAS. (Tel.) 447-4127.*

France

Record Apple Crop Increases Competition for U.S.

With last year's apple crop one of the best ever recorded, France has stepped up its marketing activities in the Middle East and North America. Export opportunties to other EC countries are not good due to the sharp increases in 1982 production in those countries. However, with the increased exports expected to the Middle East and North America, additional apple exports seem likely.— *Frank A. Padovano, Paris.*

Indonesia

French Wheat Edging Out U.S. Sales

In the price-sensitive Indonesian wheat market, heavily subsidized, low-priced wheat offered by the French is putting them at a competitive advantage with U.S. exporters. France recently made its first sales of wheat ever to Indonesia, aided by export subsidies of about $80 per ton. Increased competition from lower priced wheat from other suppliers may already be in evidence as outstanding sales of U.S. wheat to Indonesia as of the beginning of March were down 50 percent from a year earlier.—*Alan Riffkin, FAS. Tel. (202) 475-4200.*

Japan

Government To Promote Imported Beef Sales

In response to a Japanese government recommendation and to criticism by exporting countries and some domestic consumers regarding the high price of beef, Japan's Ministry of Agriculture, Forestry and Fishery recently indicated its intention to promote sales of imported beef. Because the measures do not affect the size of import quotas, they are expected to reduce beef prices only modestly.

The government's promotion plan calls for special sales of imported beef at LIPC guideline prices at least one day a month in major cities. The number of stores that can sell imported beef will be increased from 2,300 in 24 prefectures to 3,000 in all prefectures except Okinawa (which has a special quota). The government will increase the amount of

imported chilled and frozen beef allocated to these designated stores to about 20,000 metric tons. This compares with total beef import quotas of 135,000 tons in Japan fiscal year 1982. In addition, pilot stores will be established in Tokyo and Osaka to sell imported beef, both chilled and frozen, identified according to cut and quality (that is, grain-fed or grass-fed). There will also be an increase in the number of auction markets eligible to wholesale imported frozen beef and the frequency of auctions will increase from the present rate of one per month.— *William L. Davis, Jr. Tokyo.*

Malaysia

Chicken Imports To Be Banned

Effective May 1, imports of chicken wings and chicken parts are likely to be banned to protect Malaysia's poultry industry. Although whole birds may not be included in the ban initially, trade sources believe that they may eventually be restricted as well. Under the current duty rate of Malaysian $1.32 (about 58 U.S. cents), imports of whole birds and parts are already severely restricted.— *Nick Havas, FAS. Tel. (202) 447-3761.*

Netherlands

Meat Imports From U.S. Likely To Rise

After about five years of urging by the United States, the Netherlands has lifted the requirement that imported meat cuts must weigh at least 3 kilograms. This requirement had been a significant impediment to imports of high-value, portion-controlled U.S. meats. Only Belgium and Luxembourg continue to apply the 3-kilogram requirement within the European Community (EC). This change, coupled with the easing of EC licensing requirements for high-quality beef from the United States, should lead to a greater utilization of the 10,000-ton quota for high-quality U.S. beef in the EC.— *Robert Reimenschneider, FAS. Tel. (202) 447-7198.*

Soviet Union

U.S. Left Out of Surge In Soybean Meal Imports

The need to improve the protein balance of livestock rations is expected to push Soviet soybean meal imports to about 3.0 million metric tons in 1982/83, up 150 percent from the estimated 1.2 million tons in 1981/82. However, about two-thirds of Soviet needs are likely to be supplied by Brazil—the rest by the European Community. U.S. soybean meal has been ignored by the Soviets since the imposition of the U.S. sales suspension. Even though the embargo was lifted in April 1981, the Soviets have continued to seek out other suppliers. However, one sign that the Soviets may return to the U.S. market was their cosponsorship with the National Soybean Processors Association of a two-day soybean seminar in Moscow late last year on the use of soybean meal in compound feed production.

U.S. analysts believe the Soviets may be shifting to a strategy of depending on foreign suppliers for heavy infusions of processed oilseed meal. If a determined Soviet effort is made to initiate and sustain a program of increased soybean meal imports, marked changes would occur in the Soviet livestock sector as well as in the Soviet foreign trade sector. Productivity would rise within the meat, milk and egg industry as animal product yields increased and feed requirements decreased. Secondly, feed grain imports would be likely to fall gradually as the program is carried out and the Soviets become more efficient in utilizing new protein feed rations. By the mid-1980s the Soviets may be feeding almost 10 million tons of oilmeal, compared with about 6 million tons fed at the end of the 1970s.

Venezuela

Demand for U.S. Sorghum May Decline

The government has announced new control prices and the removal of subsidies on compound feeds and domestic raw materials used in mixed feed production. The price increases vary 16-20 percent depending on the type of feed. This is expected to result in reduced demand for coarse grains used in compound feeds and, possibly, a reduction in sorghum imports since sorghum is generally used for feed while corn is mostly used as food. In 1981/82 (July-June), the United States supplied 87 percent of Venezuela's sorghum imports of about 500,000 tons.—*Dean Richards, FAS. Tel. (202) 475-4199.*

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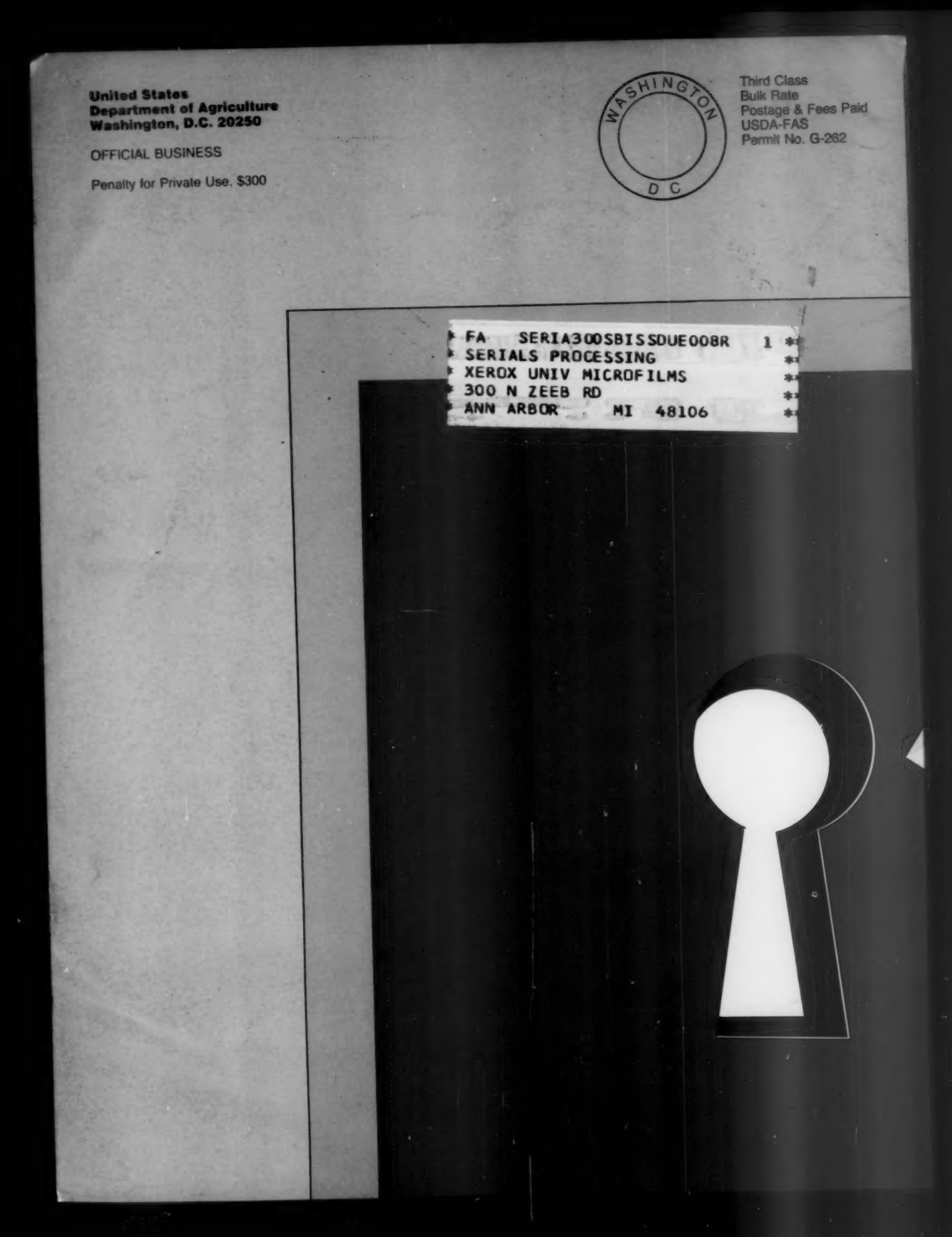
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